



STRATEGIC PLAN

FY 2015–19

Federal Student Aid
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Federal Student Aid

Strategic Plan

Fiscal Years 2015–19

U.S. Department of Education

Arne Duncan

Secretary

Federal Student Aid

James W. Runcie

Chief Operating Officer

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MESSAGE FROM THE CHIEF OPERATING OFFICER

Dear Federal Student Aid Colleagues, Partners, and Customers:

The need for a postsecondary degree or credential continues to be essential in today's competitive workforce and global economy. By 2020, an estimated 35 percent of job openings will require at least a bachelor's degree and 30 percent will require some college or an associate's degree. Further, the employment rate for young adults with at least a bachelor's degree is almost 30 percent higher than high school graduates. To help students access a postsecondary education, Federal Student Aid delivers more than \$150 billion in federal financial aid annually. These funds assist nearly 13 million students in completing their education and equipping them with skills and training for jobs in a challenging economy.

While federal assistance is available, many families experiencing the financial aid process for the first time find it complex. Costs in higher education continue to steadily rise for students and the total student loan debt has grown at an average of 13 percent per year for the past decade. In fact, the amount of outstanding federal student loan debt now exceeds \$1 trillion.

Federal Student Aid spent the last year examining these challenges among others, while reviewing trends in postsecondary education and identifying the changing needs of our customers. Additionally, we evaluated our organization, operations, and the Title IV federal financial aid programs. This self-assessment combined with robust data and enhanced analytics were used to inform the development of the Five-Year Strategic Plan for fiscal years (FY) 2015–2019.

The FY 2015–2019 Five-Year Strategic Plan provides the framework for Federal Student Aid to address the financial aid needs of students and families by utilizing quality data to identify trends and forecast projections which inform policy and operational decisions. By strengthening our processes and systems for data collection and analysis, we will improve our ability to provide relevant information to the public while supporting our strong commitment to transparency. This furthers our vision—to be the most trusted and reliable source of student financial aid, information, and services in the nation.

Federal Student Aid's plan is composed of five strategic goals: (A) Improve the quality of service for customers across the entire student aid life cycle, (B) Proactively manage the student aid portfolio to mitigate risk, (C) Improve operational efficiency and flexibility, (D) Foster trust and collaboration among stakeholders, and (E) Invest in expanded workforce capability.

As part of the Five-Year Strategic Plan, we have also developed meaningful metrics to gauge our performance on an annual basis. This will allow us to review tangible results, readily adapt to external changes, and correct areas for improvement. Measuring our progress is crucial to ensuring accountability and safeguarding taxpayer dollars while protecting our programs from fraud, waste, and abuse.

Federal Student Aid intentionally set high targets in this plan and we are dedicated to achieving these goals and standards. We understand the stakes in helping to educate and train the American workforce not only to compete, but also to lead the world with advances in fields such as technology, industry, education, and medicine. Public service is a privilege and we are proud to contribute to this great nation by helping its citizens pursue a postsecondary education.



James W. Runcie
Chief Operating Officer
Federal Student Aid

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1.

OVERVIEW OF FEDERAL STUDENT AID

Federal Student Aid (FSA) plays a central and essential role in the United States' system of postsecondary education. As a principal office of the United States Department of Education (the Department), FSA ensures that all eligible Americans can benefit from federal financial assistance for education or training beyond high school. FSA champions the promise of postsecondary education to all citizens and promotes its value to society (Exhibit 1).

Under the Higher Education Act (HEA) Amendments of 1998, FSA was transformed into the federal government's first Performance-Based Organization (PBO) to enhance its services through increased flexibility and performance incentives in exchange for greater accountability and results. The PBO legislation directed FSA to integrate disparate systems, improve service to its customers (defined as students, their families, and borrowers), reduce operating costs, and restore integrity to the systems and processes that deliver the Federal Student Aid programs. FSA emphasizes tangible results and efficient performance, as well as the continuous improvement of

the processes and systems that support its mission. This plan fulfills Section 141(c)(1) of the HEA, which requires a performance plan for the PBO for the succeeding five years that establishes goals and objectives for the organization be made available to the public. This plan was informed by and shared with those interested parties and identified entities included in section 141(c)(1)(B) prior to its release.

FSA's mission is student-focused, which drives a vision to be a reliable provider in student financial aid services and postsecondary education information to students. The core values reflect a culture of integrity, excellence, and collaboration: key components in building a high-performing organization.

During FY2014, FSA processed more than 20.7 million copies of the *Free Application for Federal Student Aid* (FAFSA®), resulting in the delivery of \$133.8 billion in HEA Title IV aid to nearly 12.9 million postsecondary students and their families (Exhibit 2). These students collectively attended more than 6,100 active institutions of postsecondary



education that participate in student aid programs and are accredited by dozens of agencies.

In order to administer the Title IV programs, FSA is responsible for a range of functions across the student aid life cycle: educating students and families about the process of obtaining aid, processing millions of student financial aid applications, disbursing billions of dollars in student aid, enforcing financial aid rules and regulations, servicing millions of student loans, securing repayment from borrowers who have defaulted on their loans, and partnering with schools, financial institutions, and guaranty agencies to prevent program fraud, waste, and abuse. To complete these functions, FSA's FY2014

administrative budget was approximately \$1.4 billion. FSA is staffed by more than 1,200 full-time employees based in Washington, D.C., and ten regional offices located across the country (Exhibit 3). FSA staff is augmented by contractors, who provide outsourced business operations such as customer service, loan servicing, and collections. In addition, there are other federal agencies, State entities, and secondary markets that support the FSA community (Exhibit 4). This complex, multifaceted mission requires a range of staff skills and demands coordination by all levels of management in order to meet the needs of the various federal student aid participants (Exhibit 5).

Exhibit 1: FSA's Mission and Core Values

Our Mission

Funding America's Future,
One Student at a Time

Our Vision

To be the most trusted and reliable
source of student financial aid,
information, and services in the nation

Our Core Values

Integrity: Do the right thing above other interests
and hold everyone accountable

Customer Service: Know what our customers want
and ensure we meet their expectations

Excellence: Strive to be the very best in all
we do by embracing a culture of continuous
improvement

Respect: Value individuals by acknowledging the
diversity of their contributions, ideas, and beliefs

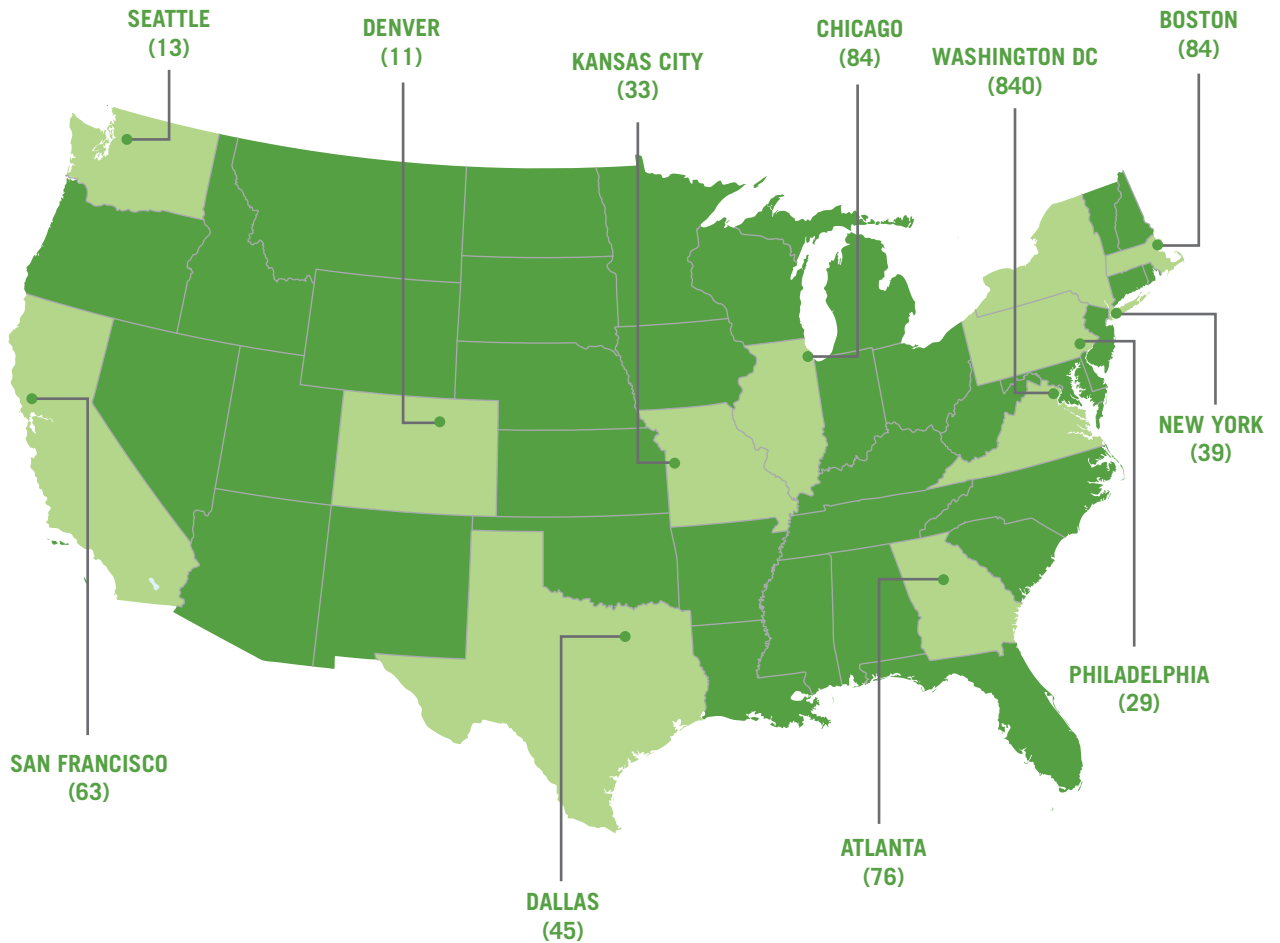
Stewardship: Uphold the sacred trust of taxpayers
as we work to support the goals of Congress and
the Administration

Teamwork: Work in collaboration with our
colleagues and partners to produce the best
possible results

Exhibit 2: Summary of Federal Aid Disbursed to Students, by Program (Dollars in Millions)

Programs	FY2014 Aid Disbursed to Students	FY2013 Aid Disbursed to Students	Difference	Percent Increase/Decrease
Loan Programs				
William D. Ford Federal Direct Loan Program	\$ 99,355	\$ 102,497	\$ (3,142)	(3)%
Federal Perkins Loan Program	\$ 1,167	\$ 1,008	\$ 159	16%
Subtotal Loan Programs	\$ 100,522	\$ 103,505	\$ (2,983)	(3)%
Grant Programs				
Federal Pell Grant Program	\$ 31,554	\$ 32,338	\$ (784)	(2)%
Federal Supplemental Educational Opportunity Grant Program	\$ 694	\$ 739	\$ (45)	(6)%
Teacher Education Assistance for College and Higher Education Grant Program	\$ 97	\$ 106	\$ (9)	(8)%
Other Grant Programs/Rounding	\$ 0	\$ 1	\$ (1)	(100)%
Subtotal Grant Programs	\$ 32,345	\$ 33,184	\$ (838)	(3)%
Work-Study Programs				
Federal Work-Study Program	\$ 928	\$ 959	\$ (31)	(3)%
Rounding	\$ 1	\$ 0	\$ 0	N/A
Grand Total	\$ 133,796	\$ 137,648	\$ (3,852)	(3)%

Exhibit 3: Federal Student Aid Regional Map



During Fiscal Year (FY)2014, the organization operated on an annual administrative budget of approximately \$1.4 billion.¹ FSA is staffed by 1,247 full-time employees and is augmented by contractors who provide outsourced business operations. The headquarters office is based in Washington, D.C., with a workforce of employees dispersed there and in ten other regional offices located throughout the country as reflected in the above graphic. The number of full-time employees at each location is shown in parentheses immediately following the location name.

¹ The FY2014 appropriated administrative budget for FSA per the *Consolidated Appropriations Act, 2014*, (Pub. L. 113-76).

Exhibit 4: Role of FSA and Other Participants in the Federal Student Aid System

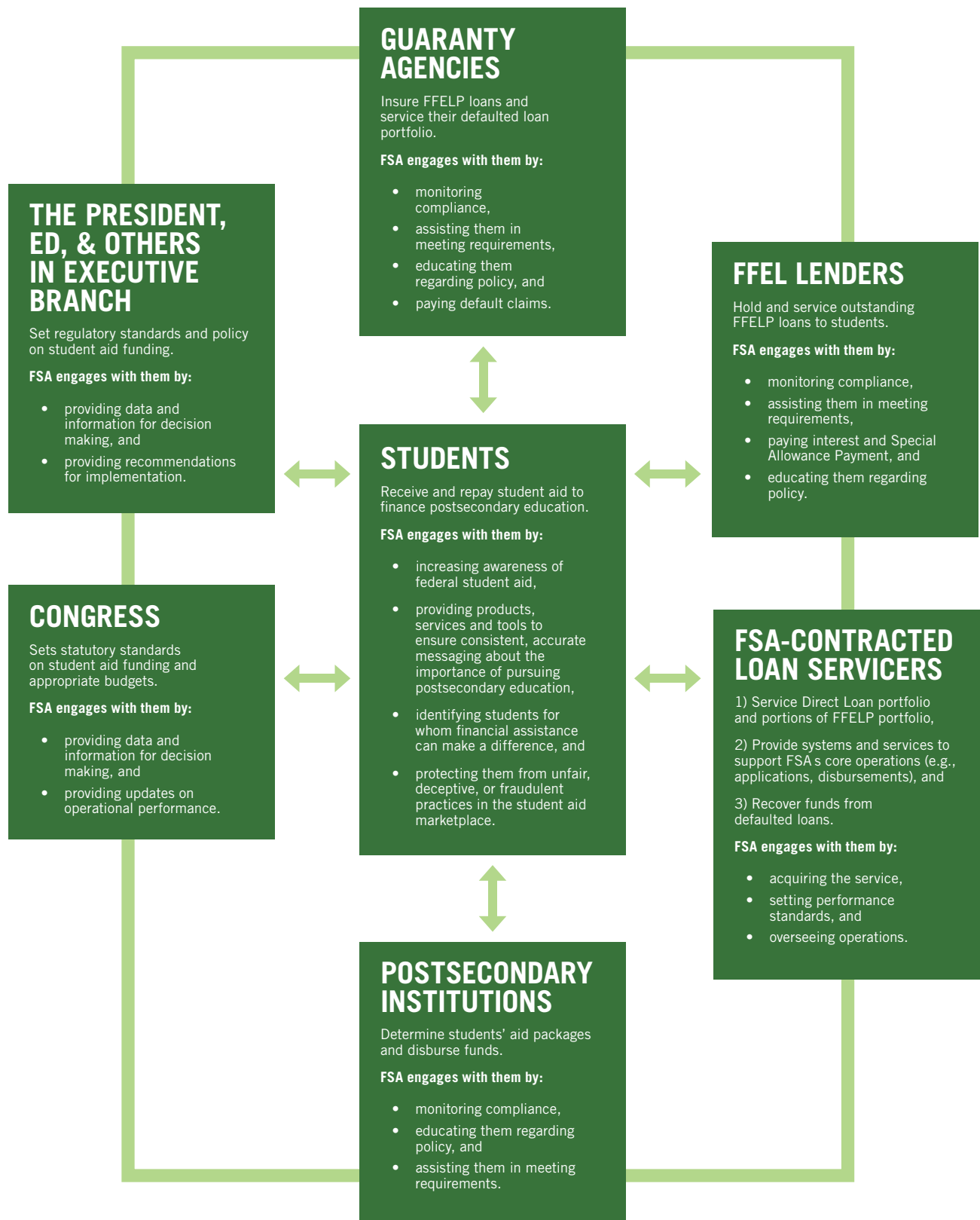


Exhibit 5: Federal Student Aid Functional Organizational Structure



FSA currently operates under a functional organizational structure that aligns the organization closely with its strategic drivers, business objectives, and mission goals. A Chief Operating Officer (COO), who is appointed to a five-year term by the Secretary of Education (Secretary), leads FSA. The graphic illustrates the current functional organizational structure of FSA.

2.

EMERGING TRENDS IN THE HIGHER EDUCATION ECOSYSTEM

TREND 1: Increasing demand for Federal Student Aid

The demand for federal grants and loans to help finance postsecondary education will increase over the next five years. Rising prices at higher education institutions, driven in part by per student levels of state and local education funding, will exert continuing pressures on the federal financial aid system to meet the needs of students.

As Exhibit 6 reveals, the pattern of tuition increases in the public sector of higher education is cyclical, with a few years of very large increases followed by a few years of relatively small increases. The average inflation-adjusted increase in public four-year tuition and fees over the 30 years from 1984–85 through 2013–14 was 4.1%. Of note, tuition growth over the two most recent years, from 2011–12 to 2013–14, have been quite small by historical standards—following

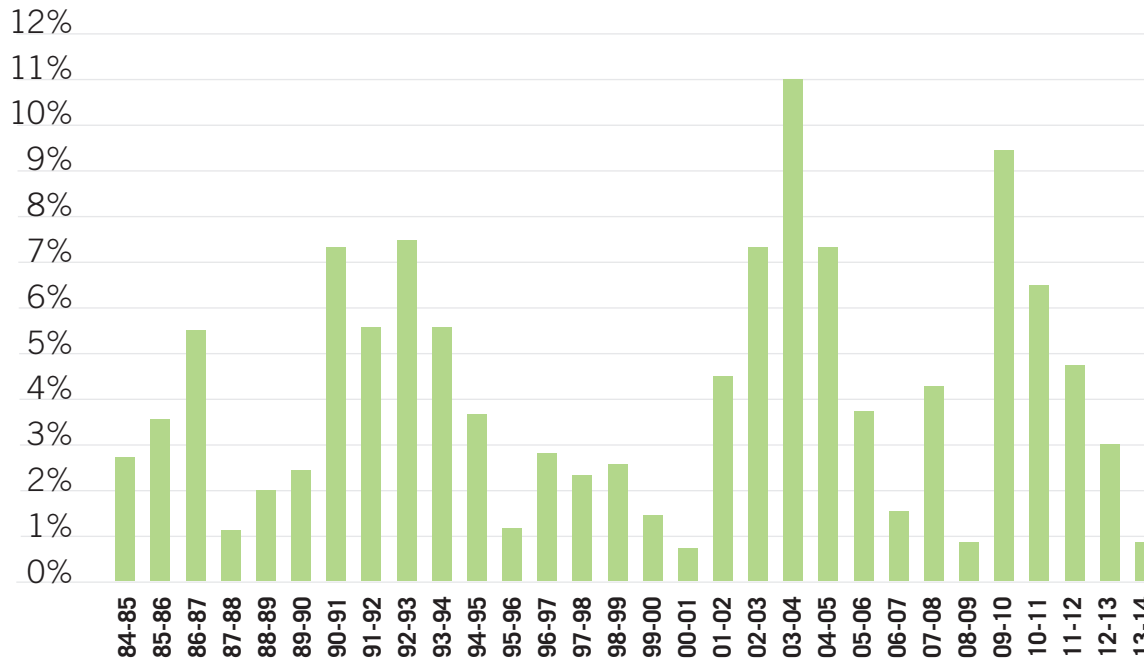
three years of very rapid increases. It is reasonable to expect a few more years of moderate growth in tuition and fees.

While state and local funding of higher education is cyclical, there has been a long-term downward trend in funding per student. After rising by 6% between FY1993 and FY2003, over the decade from FY2003 to FY2013, total educational appropriations per full-time equivalent (FTE) student declined by 22% in real terms, from \$7,838 in 2013 dollars to \$6,105.² This decline was the result of a combination of rapid enrollment growth and a decline in total appropriations. Although the slow recovery in funding that has just begun is likely to continue for a few years, there is no reason to believe that the long-term trend will be reversed, with funding returning to previous high levels.

The decline in state and local funding per FTE student corresponds to an increase in the share of total institutional expenditures covered by net tuition revenues. In FY2013,

² The College Board, *Trends in College Pricing 2013*, Table 2.

Exhibit 6: Public Four-Year Institutions, Annual Tuition and Fee Price Increases (inflation adjusted) 1984–85 to 2013–14



Source: The College Board, *Trends in College Pricing 2013*

net tuition revenue and state and local appropriations contributed about equally to the revenues of public institutions. This occurred despite the fact that average education and related expenditures per student at public institutions have not risen rapidly in recent years. Two-year public colleges spent 11% less per student on educational expenditures in 2010–11 than a decade earlier. Public doctoral institutions spent 4% more in 2010–11 than in 2000–01.

The 15% of undergraduate students enrolled in private nonprofit institutions³ will also experience continuing increases in tuition and fee prices. In only one year

out of the last 30 years (2000–01) has the average price increased by less than the Consumer Price Index.⁴ That said, the rate of increase of published prices in this sector has been declining slightly over time and continuing public and political pressure is likely to prevent escalation in the next five years.

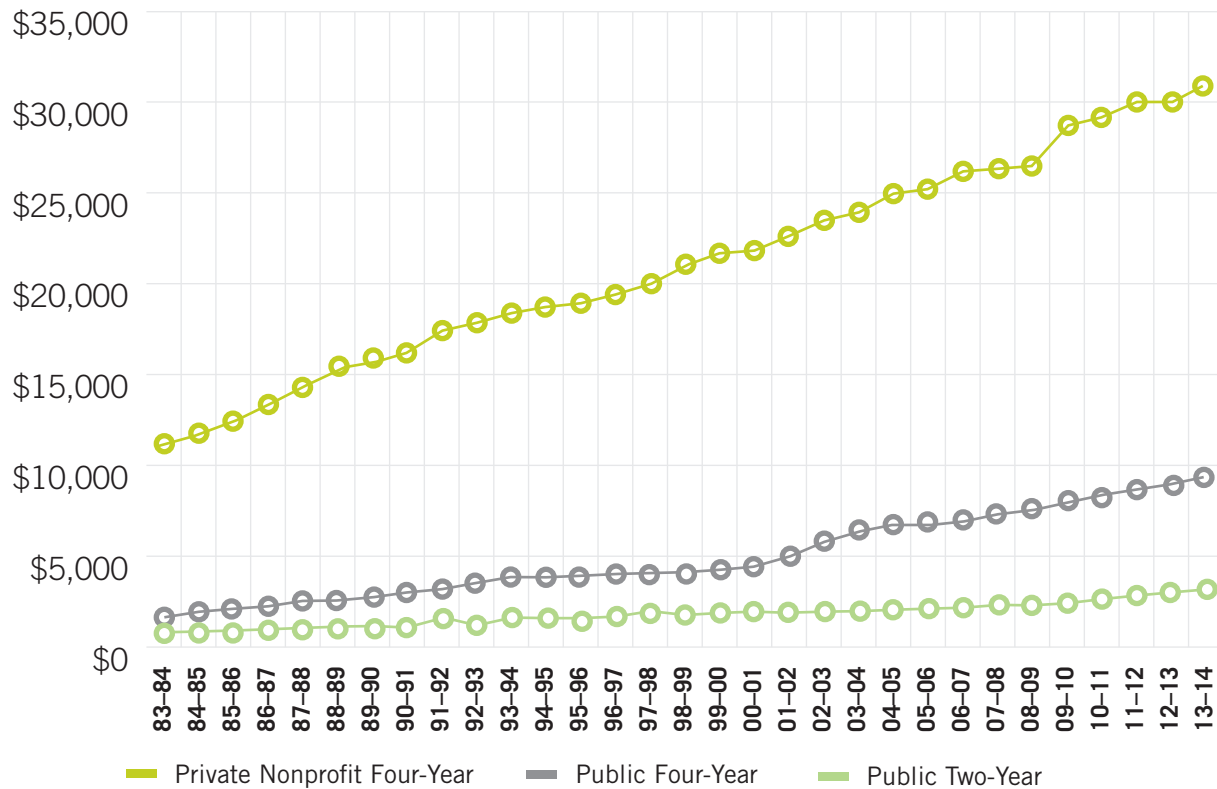
Beyond the cost of attendance, the two most critical components to predicting student need are total enrollment and student demographics. The National Center for Education Statistics (NCES) projects a slowdown in postsecondary enrollment growth over the coming five years—but still growth in total enrollment from 21 million in 2014 to 22.5 million in 2019.⁵

³ *Digest of Education Statistics 2013*, Table 303.70.

⁴ The College Board, *Trends in College Pricing 2013*, Table 2.

⁵ Because part-time enrollment is predicted to grow more rapidly than full-time enrollment, this would be a 7% increase in total enrollment, but a 6% increase in FTE enrollment over five years.

Exhibit 7: Nonprofit Four-Year and Two-Year Tuition and Fees, 1983–84 to 2013–14 (inflation adjusted) 1984–85 to 2013–14



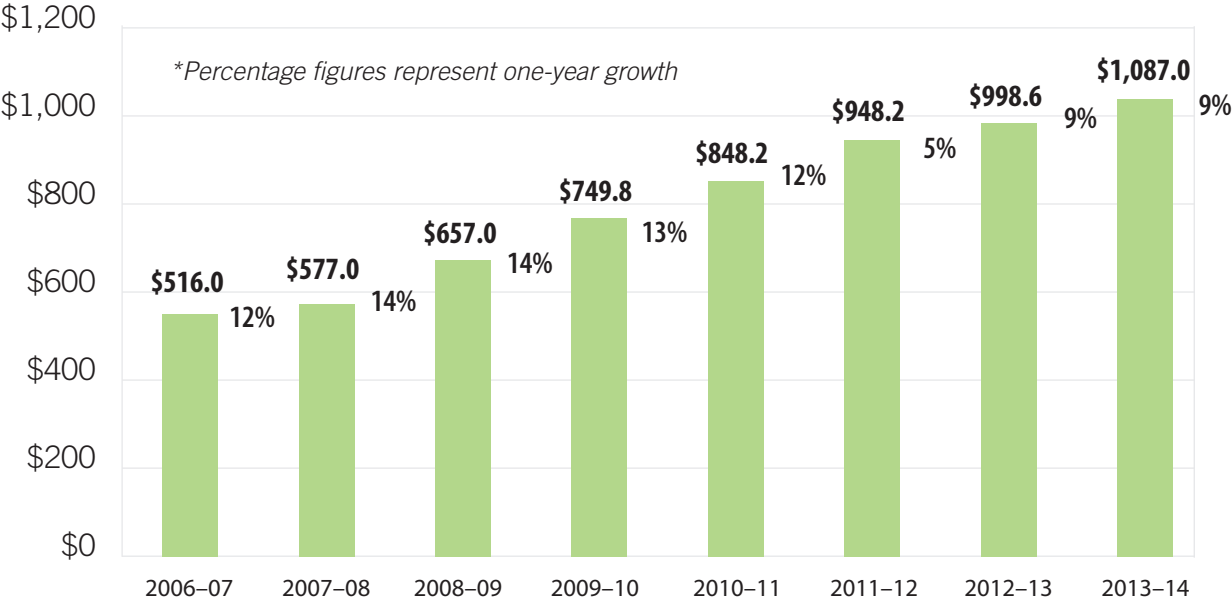
Source: The College Board, *Trends in College Pricing 2013*

The demographics of future students and the resources available to them to pay for education will influence their financial need and the extent to which they will rely on federal student aid. From 2014–2019 only 19% of the new enrollments are expected to be traditional-age college students ages 24 or younger,⁶ while 29% will be 35 years of age or older. In addition, while these two groups constitute less than one-third of postsecondary enrollment in 2014, about two-thirds of the enrollment growth in the next five years is expected to come from black and Hispanic students.

Both older adult students and under-represented minorities have greater financial need, on average, than others. Accordingly, the reality that increasing percentages of postsecondary students are likely to be from these groups means that the demand for federal student aid will grow faster than total enrollment. Therefore, in an environment of continually rising college prices, the pressure on student aid to mitigate the financial strains of college students can only increase.

⁶ About 81% of undergraduates ages 18 to 21 are enrolled full-time. The majority of undergraduates ages 25 or older are enrolled part-time (58%). See *NCES Digest of Education Statistics 2013* Table 303.45.

Exhibit 8: Outstanding Principal and Interest Balance of Federal Education Loans (in billions), 2006–07 to 2013–14



Source: Federal Student Aid Data Center

TREND 2:
Continued growth of student debt and focus on delinquency and default

The outstanding student debt held and managed by the Department of Education will continue to grow and the problems facing both borrowers and the federal budget as a result of repayment difficulties will require increased attention.

The Federal Student Aid loan portfolio grew from \$516 billion in the fourth quarter of 2007 (2007Q4) to \$848 billion in 2011Q4 and to \$1,087 billion in 2014Q2.⁷ Looking

to the next five years, predictions of future federal borrowing should not be based on the dramatic increases in 2008 and 2009, when federal loan limits were increased and widespread credit market disruptions diminished the availability of private student loans. At the same time, they should also not be based on the declines in 2011 and 2012, which were driven by declines in total enrollment following the surge during the recession. Like enrollments, student borrowing is likely to continue rising, but at a slower pace than in recent years. On one hand, students are likely to have greater financial need (see Trend #1). On the other hand, the rapid rise in enrollments in the for-profit sector, which has particularly high

⁷ <https://studentaid.ed.gov/about/data-center/student/portfolio>.

borrowing rates, has been reversed.⁸ Taking into account the challenges facing some for-profit institutions and the increased scrutiny on the industry, there is no reason to predict that the sector will regain its market share in the next five years.

The percentage of students at each level of study borrowing large amounts relative to their expected earnings has increased over time. For example, while only 1% of students who completed associate degrees in 2003–04 had accumulated as much as \$30,000 of debt (in 2012 dollars), that percentage had increased to 8% by 2011–12. The percentage of graduate students who borrowed as much as \$100,000 to finance their degrees increased from 3% in 2003–04 to 16% in 2011–12.⁹ The projected trends in enrollment and prices support a continuation of this trend in student debt.

Student loan default is expected to be an ongoing focus for FSA despite signs of economic recovery. Students who do not complete their degrees are of particular concern. While improvements in the economy that involve reduced unemployment rates and higher wages may offset upward pressure on default rates to some extent, evidence suggests that it is not the level of debt, but whether or not students complete their degrees and how required payments relate to income levels that predict whether or not borrowers will default.¹⁰

In part as a response to high debt levels, an increasing share of federal student loan borrowers are likely to be repaying under plans that make their payments

a function of their incomes. Between 2013Q3 and 2014Q2, the percentage of dollars in income-related plans increased from 20% to 25% and the percentage of borrowers participating in these plans increased from 10% to 13%. This trend is likely to continue, particularly if bipartisan efforts in Congress to strengthen these plans and possibly place students in them automatically if they do not actively make other choices are successful. Automatic enrollment in income-related repayment would be a fundamental change with significant impacts on FSA's role and approach in managing the loan portfolio.

As more borrowers enter income-sensitive repayment programs that allow for loan forgiveness, the cost of this form of non-payment could become a major issue for the federal government. The timing and potential magnitude of loan forgiveness options, especially with graduate students who can borrow the entire cost of attendance, create uncertain repayment terms that could pose significant challenges for FSA in managing the federal student loan portfolio.

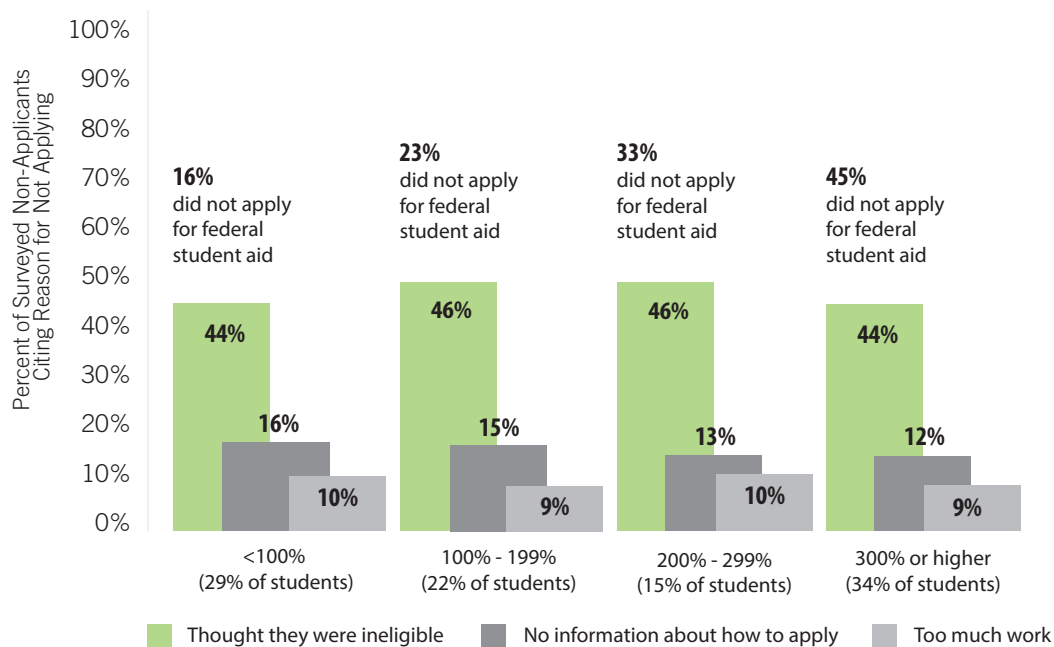
The issue of student debt is unlikely to fade from public attention in the foreseeable future, and the very real problems faced by individual borrowers will continue. As a result, FSA will need to balance distributing funds to meet growing student needs and managing the scrutiny that comes with continuing growth in the federal loan portfolio.

⁸ Digest of Education Statistics 2013, Table 303.10.

⁹ Includes students with no debt. Debt levels include both federal and non-federal loans. National Postsecondary Student Aid Study, 2004, 2008, 2012.

¹⁰ See Jacob P. K. Gross, Osman Cekic, Don Hossler, and Nick Hillman (2009), "What Matters in Student Loan Default: A Review of the Research Literature," *Journal of Student Financial Aid*, 39(1) for a review of the literature on factors related to student loan default.

Exhibit 9: Reasons for Not Applying for Federal Student Aid by Household Income as Percentage of Poverty Level, 2011–12



Note: Students are undergraduate students.
 Source: 2011–12 National Postsecondary Student Aid Study (NPSAS)

TREND 3: Increasing pressure to improve student interaction with the aid system

Pressure to simplify both the application system for federal student aid and the array of available programs is likely to lead to policy changes that affect FSA’s processes. Tolerance for issues that hinder efforts to address the needs of borrowers will continue to diminish at the same time that legislative changes to federal grant and loan programs require increased flexibility in the aid delivery system.

A frequently cited challenge of the current federal aid process is the real and perceived complexity of the process. As shown in Exhibit 9, many eligible and qualified students are not aware of or do not complete the aid application process.¹¹ Simplification efforts designed to address this problem may well lead to increased reliance on data from the IRS, requiring changes to FSA program governance and technologies. Support for moving in this direction is mounting and is reflected in several of the Congressional proposals that are emerging in advance of Reauthorization.

Potential modifications to the Pell Grant program could also affect FSA’s operations in significant ways. Spending on Pell Grants increased from \$12.8 billion in 2006–07 to

¹¹ 2011-12 National Postsecondary Student Aid Study.

\$32.4 billion in 2012–13 and is projected to reach \$38.4 billion by 2019–20. At the same time, the number of recipients increased from 5.2 million in 2006–07, to 8.9 million in 2012–13, and is projected to reach 9.7 million in 2019–20.¹²

Recent proposals from the House Committee on Education and the Workforce include a “Flex Pell Grant” that would allow students to be notified in advance of the amount of Pell funds they are eligible to receive over a six year period and then be able to draw funds as needed until they either complete their academic programs or exhaust the allotted funds. This type of structure, which has been supported by several advocacy and policy analysis groups, would require considerable change and flexibility in the award allocation mechanisms. Which changes, if any, are enacted will be a function of political forces and are impossible to predict precisely, so flexible systems that can accommodate a variety of changes are particularly critical.

With the push for simplification comes the need to communicate with potential students and their families to more effectively build financial literacy. Beyond simply providing relatively detailed information, however, there is increased emphasis on delivering this information to prospective students and borrowers in a manner that enables “good” decision-making regarding choosing and financing higher education. The evidence is growing

that the way information is delivered significantly affects its impact, with strategies like text messaging proving more effective than simply making information available.¹³

Across all potential student groups, including students who do not enroll in postsecondary education immediately after high school and those with limited familiarity with or access to online tools, information needs to be shared more effectively.¹⁴ This includes responding to student demands for more tailored and personalized, or personalizable, information. The complexity of the information required to make good choices, the options for types of messaging, as well as a large number of potential students who are outside the traditional linear path from high school to college, create an increasing challenge for traditional communications. There is also increasing pressure to provide aid estimates well in advance of enrollment, to give current and potential students the incentive and the opportunity to prepare academically for higher education.

Once students are enrolled, multiple stakeholders will increasingly have to take responsibility for encouraging and supporting students in ways that will reduce the probability that they leave school without having earned credentials. Reaching potential students of all ages and socioeconomic groups will be an ongoing concern.

¹² Congressional Budget Office. *The Federal Pell Grant Program: Recent Growth and Policy Options*. September 2013. http://www.cbo.gov/sites/default/files/cbofiles/attachments/44448_PellGrants_9-5-13.pdf.

¹³ See, for example, Castleman, B.L. & Page, L.C. (2014). *Freshman Year Financial Aid Nudges: An Experiment to Increase FAFSA Renewal and College Persistence*. Center for Education Policy and Workforce Competitiveness Working Paper No. 28. Charlottesville, VA: University of Virginia; Castleman, B.L., Page, L.C., & Schooley, K. (2014). *The Forgotten Summer: Does the Offer of College Counseling After High School Mitigate Summer Melt Among College-Intending, Low-Income High School Graduates?* *Journal of Policy Analysis and Management*, 32(2): 320-344.

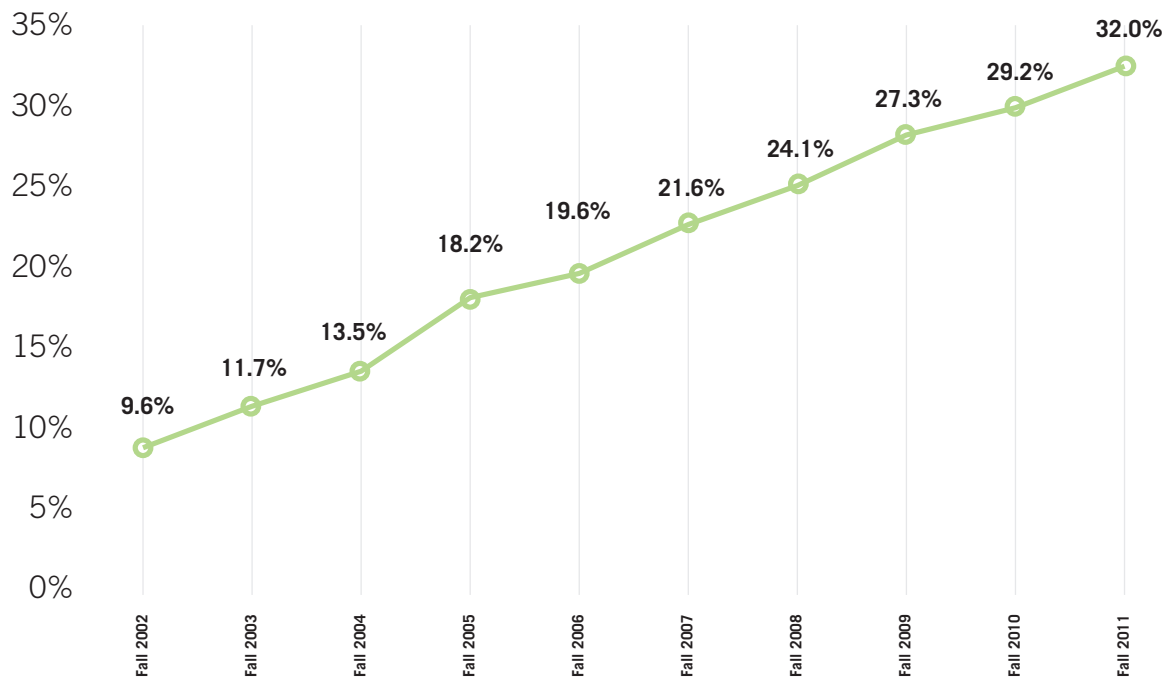
¹⁴ Castleman, B.L. (2013). *Prompts, Personalization, and Pay-offs: Strategies to Improve the Design and Delivery of College and Financial Aid Information*. Center for Education Policy and Workforce Competitiveness Working Paper No. 14. Charlottesville, VA: University of Virginia.



In addition to the financial implications of student debt repayment problems, FSA is likely to face growing concerns over delinquency, default, and customer service. A combination of regulatory constraints and external factors have led to questions about the proper balance of collection efforts with appropriate support for borrowers facing difficult circumstances. As a result, FSA will continue to come under pressure to ensure that appropriate methods are used to maintain constructive relationships with borrowers.

While FSA has produced a wide range of tools and resources, numerous other players, frequently operating with fewer regulatory constraints than the federal government, actively provide potential students and borrowers with related support. Particularly given the likelihood that FSA will continue to face resource constraints and strains on operational capabilities, there may be greater opportunity to collaborate with some of these potential partners.

Exhibit 10: Percentage of Students Taking at Least One Course Online, 2002–2011



Source: Sloan / Babson / College Board survey of institutions

TREND 4: Increasing demand for accountability in the use of federal funds

More public and Congressional attention will be focused on holding FSA, in addition to students, institutions, and other entities involved in the financial aid system, accountable for how well they use federal funds. Restrictions on institutional eligibility for Title IV funds and conditions for continuing eligibility among students making limited academic progress are likely to be strengthened.

Public focus has shifted from merely seeking increased access to higher education to demanding greater accountability for student outcomes and a more clearly and consistently defined return on investment for education. As prices continue to rise and concern around student debt levels grows, the pressure on institutions and the government to define, track, measure, and report on educational performance, progress and outcomes is increasing (as evidenced by the proposed federal rating system). These issues will become increasingly challenging as the methods for delivering education and training evolve and student enrollment patterns become more irregular.

Online learning has emerged rapidly in the past two decades, and while precise patterns are difficult to measure,¹⁵ data suggest that the percentage of students taking at least one course online tripled from 9.6% to 32.0% between 2002 and 2011. Data from the Integrated Postsecondary Education Data System (IPEDS) indicate that in fall 2012, 13% of postsecondary students were enrolled exclusively online and another 13% were taking some of their courses online.¹⁶

Students are increasingly taking non-linear paths, including hybrid, online, and enrollment at multiple institutions. They transfer, take breaks and return to their studies, and switch between part-time and full-time enrollment. As students continue to seek alternatives, education delivery will continue to evolve to support students who choose a “swirling”¹⁷ path through higher education.

While efforts to hold institutions more accountable for student outcomes will surely continue, it is likely that provisions requiring students to make academic progress in order to continue receiving federal aid will also be strengthened. For example, it is possible that the

Department of Education will be expected to follow students who do not meet the requirements for continuing eligibility for federal aid at one school so they do not receive the aid at another school without meeting some requirements for reinstatement.

Much of the focus on accountability revolves around a push to enroll more students in programs that will provide “valuable” credentials and profitable employment, while highlighting institutions, programs, or courses of study that either do not have satisfactory completion rates or whose graduates are not successful in the job market. There is also a need to evaluate the viability of a competency-based learning framework within which credit, and potentially degrees, could be awarded based on placement tests and assessments of student portfolios that consist of credits and experiences from various programs, experiences, and learning channels. If this model becomes more widespread, the challenges of determining eligibility for federal student aid will increase.

¹⁵ Some sources ask about “distance” learning and others ask about “online” learning. This makes it difficult to measure trends in online learning because in the past, much distance education used different technology.

¹⁶ U.S. Department of Education, Enrollment in Distance Education Courses, by State, Fall 2012. Web Tables, NCES 2014-023.

¹⁷ The National Student Clearinghouse Research Centre found that one-third of students transfer from one college to another before earning a degree. More than a quarter of such transfers cross state lines. The term “swirling” is commonly used to indicate students with multi-institutional attendance and discontinuous enrollment. Students from lower socioeconomic backgrounds are more likely than economically advantaged students to swirl.

TREND 5: Increased attention to availability and uses of data

FSA has built a rich database of Title IV-related information on students and borrowers. Policy makers, researchers, and others are increasingly aware of the potential of this information and analyses based on the data to inform discussion. This may place increasing strain on operational systems and also require clarification with regard to data privacy concerns and legal restrictions on how the data can be used.

The increasing interest in using data to further increase transparency in the application of federal funds applies to student borrowing and other areas including accountability, competency-based education, student and teacher evaluations, institutional ratings and scorecards and the potential linking of performance to aid.

As students become increasingly mobile over the course of their postsecondary education, government and institutional data systems will come under pressure to build stronger capabilities to track students through their paths at multiple institutions within and across states. This will likely require closer partnerships between institutions and states for data collection and sharing.¹⁸ Almost one quarter of students who earn credentials earn

them at an institution other than the one at which they began their studies.¹⁹ This reality increases both the complexity and the benefits of tracking students over time in order for FSA to accurately determine continued aid eligibility and effectively collect outstanding debts. Despite support from the higher education community and from some members of Congress, the Congressionally-imposed restriction on the creation of a federal unit-record system that would facilitate the tracking of individual students is not likely to be lifted in the next few years. FSA will be faced with the challenge of addressing this problem.

Improved data collection methods and definitions for non-traditional students could also contribute to a more consistent understanding of the student population. This understanding could then enable better designed and defined strategies for improving degree completion rates.²⁰ In addition to using data to evaluate institutional performance, there may be increasing interest in using it to help students make good decisions when deciding where to go to school, which degrees to pursue, and how much to borrow.

Tracking students and student outcomes in any fashion will continue to present challenges for FSA given the prevailing public sentiment about sharing personal data and the legal restrictions on unit record data.

¹⁸ Advisory Committee on Student Financial Assistance. *Pathways to Success, Integrating Learning with Life and Work to Increase National College Completion*. A Report to the U.S. Congress and Secretary of Education. February 2012.

¹⁹ National Student Clearinghouse, *Completing College: A National View of Student Attainment Rate—Fall 2007 Cohort*, 2013.

²⁰ Advisory Committee on Student Financial Assistance. *Pathways to Success, Integrating Learning with Life and Work to Increase National College Completion*. A Report to the U.S. Congress and Secretary of Education. February 2012.

3.

STRATEGIC GOALS AND OBJECTIVES

FSA's five strategic goals have been modified in FY2015 to enable the organization to best meet the needs of its customers. Each strategic goal encompasses several objectives which provide further guidance on how FSA will achieve the goals. In developing this Five-Year Strategic Plan, FSA adapted the strategic goals defined previously and clarified objectives that align with the Mission Statement, Vision, and Core Values defined in FY2011. FSA's mission will continue to be the same; however, the means to success and the measurements that will be used will change based on lessons learned.

STRATEGIC GOALS AND OBJECTIVES

Strategic Goal A:

Improve quality of service for customers across the entire student aid life cycle.

- A.1: Improve outreach and awareness efforts to support aid recipients and their families in making sound financial decisions.
- A.2: Optimize the borrower service model to improve the customer experience.
- A.3: Predict, identify, and understand existing and emerging customer trends and patterns.
- A.4: Enhance outreach, training, and tools to improve institutional performance and help postsecondary institutions understand responsibilities and requirements under the Higher Education Act.

Strategic Goal B:

Proactively manage the student aid portfolio to mitigate risk.

- B.1: Enhance analytical and research capabilities to proactively identify operational and reputational risk.
- B.2: Develop robust, data-driven processes to manage identified risks.
- B.3: Provide access to resources to protect students and families from unfair, deceptive, or fraudulent practices in the student aid marketplace.

Strategic Goal C:

Improve operational efficiency and flexibility.

- C.1: Link disparate data sources to improve cross-organizational information exchange.
- C.2: Refine acquisition management to ensure that services and products are consistent with business objectives.
- C.3: Enhance governance processes to support enterprise decision-making.
- C.4: Strengthen FSA's information technology (IT) systems' security.

Strategic Goal D:

Foster trust and collaboration among stakeholders.

- D.1: Engage with stakeholders to be the most trusted and reliable source of information on federal student aid.
- D.2: Provide timely and proactive communications to promote accurate, consistent messaging on federal funding of postsecondary education.
- D.3: Promote transparency and accountability within FSA and across the higher education environment.

Strategic Goal E:

Invest in expanded workforce capability.

- E.1: Create an enterprise-wide workforce plan to attract, develop, and retain employees with the skills required to meet evolving business needs.
- E.2: Develop a succession planning strategy to identify and create opportunities for future leadership talent.



STRATEGIC GOAL A: Improve quality of service for customers across the entire student aid life cycle.

Objective A.1

Improve outreach and awareness efforts to support aid recipients and their families in making sound financial decisions.

FSA remains committed to improving overall awareness of federal student aid programs and helping aid recipients understand their obligations. Over the next five years, FSA will focus heavily on its ability to provide

prospective and current aid recipients and their families with the information they need to make sound education finance decisions at each stage of the student aid life cycle, and will adapt its outreach strategies in order to address changing demographics of the student population.

FSA continues to expand its outreach and awareness efforts. In recent years, FSA has launched a financial aid toolkit designed to augment the day-to-day communications provided by guidance counselors, college access professionals, and non-profit mentors, developed the FAFSA Completion Tool, which provides data to eligible schools on FAFSA completion rates, and partnered with external organizations in government, the non-profit sector, and private industry to develop high-profile borrower engagement campaigns. FSA has also expanded its financial literacy outreach efforts and supports a continuous drive to promote

awareness of federal loan repayment options such as the Pay As You Earn (PAYE) Plan and Income-Based Repayment (IBR). However, opportunities remain for FSA to further develop its capabilities. As student and borrower demographics become more diverse, there will be a growing need to use tailored approaches to communicate with customers, particularly with those pursuing non-traditional education paths. This will be reflected in how FSA shapes future outreach and awareness strategies.

Over the next five years, FSA will design and implement more sophisticated targeted strategies for different audiences in order to engage prospective and current aid recipients and their families at key points in the student aid life cycle. FSA will leverage new communication channels and publish refined toolkits to ensure that current and prospective aid recipients have the information they need. FSA's campaigns will aim to raise general awareness of federal student aid and reduce borrower delinquency and default. Recognizing that direct contact with the customer often lies outside FSA, FSA will also engage with other key partners, such as high school guidance counselors, community groups, and non-profit groups, to further increase its efficiency and expand the reach of its communications.

Objective A.2

Optimize the borrower service model to improve the customer experience.

Students and their families are faced with difficult and often complex postsecondary financing choices. Recognizing that

customers need reliable information as well as assurance in making sound decisions, FSA will focus on supporting students as they navigate the financial aid process. Optimizing the customer service model by adopting more service-oriented approaches will increase FSA's ability to adapt to changing customer needs and ensure that all qualified students can easily understand the available options and make informed choices.

FSA has recently redesigned its loan counselling tools to incorporate principles of financial literacy, sound budgeting techniques, and a clear overview of federal loans and repayment options, and has consolidated multiple websites into a single customer-friendly portal at **StudentAid.gov**. FSA has also worked to improve its technical processes, implementing, for example, the ability to pre-populate borrower income taken directly from the Internal Revenue Service (IRS), and developing tools to recommend particular options for borrowers considering income-driven repayment plans. These improvements to the current service model, which is used by tens of millions of students per year, serve as a platform for further enhancements.

In the future, FSA will further optimize its service model across the entire federal student aid life cycle, from initial outreach to final repayment. By simplifying customer facing processes, employing innovative communication strategies, and adding self-service options, FSA will be able to respond quickly to better serve the evolving needs of aid recipients and ensure that borrowers receive accurate, timely, and high-quality service on their federal aid.

Objective A.3

Predict, identify, and understand existing and emerging customer trends and patterns.

As aid recipient behavior and models of higher education continue to evolve, a data-driven analytical approach will enable FSA to better understand changing customer needs and rapidly identify emerging patterns. FSA will use predictive analytical capabilities to develop improved insight into customer expectations, behavior, and satisfaction with federal financial aid services and products. Understanding and predicting customer trends will inform FSA strategies for enhanced engagement with existing customers as well as expand the scope of possibilities for targeting new and underserved populations.

FSA has already made considerable progress in moving towards this objective. FSA's in-house customer analytics team provides sophisticated analytical support to enterprise business units, helping to optimize the content and layout of borrower engagement communications to maximize positive response rates. FSA is also working to develop more sophisticated models for customer segmentation analysis, which aims to identify target groups for outreach purposes.

Building on these successes, FSA will develop improved analytical capabilities focused on predicting, identifying, understanding, and rapidly addressing changing customer trends and patterns. In doing so, FSA will identify new opportunities to improve customer experience across the

student aid life cycle. This expertise will better position FSA to identify potential issues impacting customers and ensure that customer needs and expectations are met.

Objective A.4

Enhance outreach, training, and tools to improve institutional performance and help postsecondary institutions understand responsibilities and requirements under the Higher Education Act.

The responsibilities and requirements of postsecondary institutions under the Higher Education Act are designed to promote the best outcomes for students and their families and address the education needs of the nation. Supporting postsecondary institutions' awareness of and ability to meet these responsibilities and requirements through outreach, training and provision of tools improves compliance.

FSA has provided significant publications, training, and assessment tools to support institutions' Title IV program compliance and to help institutions meet their commitment to supporting students at all stages of the postsecondary education experience. Providing tailored technical help and, when necessary, working directly with schools based on their institutional performance has been a major focus for FSA, with an emphasis on providing the resources to support schools in making the right decisions when it comes to factors that impact their ability to meet Title IV compliance and improve college access and student outcomes.

FSA will continue to build on this progress and look to further support schools in providing access to aid and managing Title IV requirements across the disbursement and aid management process. FSA will increase its efforts to provide postsecondary institutions with guidance to ensure that they act in the best interest of students and are operating in compliance with evolving laws, regulations, and policies governed by the Higher Education Act, such as Cohort Default Rate (CDR) provisions as well as upcoming requirements related to Gainful Employment. FSA will also provide resources to support new non-traditional education providers, as well as traditional schools looking to develop new course offerings, in understanding and complying with Title IV requirements for programs that do not fit easily into existing requirement frameworks. This focus will strengthen FSA's ability to help schools provide information to students, drive institutional quality, and improve completion rates.

STRATEGIC GOAL B: Proactively manage the student aid portfolio to mitigate risk.

Objective B.1

Enhance analytical and research capabilities to proactively identify operational and reputational risk.

The student loan portfolio has grown exponentially in size in recent years, rising to more than \$1 trillion in 2014, and is

expected to continue to grow over the next five years. As a result, the continued development of sophisticated analytical and research capabilities to proactively identify risk will be increasingly critical to maintaining proper governance over FSA operations.

Over the years, FSA's role in collecting, analyzing, and providing access to student aid data within a complex student aid ecosystem has expanded. The volume of data available across multiple systems represents a challenge in its collection and analysis. Moreover, given the proliferation of new education models, increase in vendors, data sources, and channels, this data complexity is expected to increase in scope over the next five years.

Robust analysis depends on high-quality data input; recognizing this, FSA will work to strengthen its methods of collecting and storing data. FSA will develop systems that proactively collect and filter data from an expanded number of data sources and at a level of granularity sufficient for sound and reliable analysis; the Enterprise Data Warehouse and Analytics (EDW&A) system, initiated in 2014, is a significant first step in achieving this. FSA will also engage in efforts to provide more data to external stakeholders by establishing systematic, user-friendly, and efficient methods for data reporting based on an understanding of users' information needs. Lastly, FSA will improve the coordination of its data workforce to ensure that analysis is strategically directed, reviewed, and disseminated to appropriate stakeholders.

Objective B.2

Develop robust, data-driven processes to manage identified risks.

FSA is responsible for the management and oversight of an outstanding federal student aid portfolio in excess of \$1 trillion in Title IV loans, representing over 40 million borrowers. Proactive management of financial, operational, market and reputational risk helps FSA concentrate on the areas of highest return regarding the successful administration of the student aid portfolio. FSA's risk management processes must be robust and data-driven in order to protect borrower and taxpayer interests.

Over the last year, FSA has improved several aspects of its program compliance process to ensure the proper administration of funds, and has improved training of its compliance staff, demonstrating its firm commitment to compliance and enforcement. FSA has also tailored its servicing contracts to incentivize proper governance of its financial portfolio. Such activities represent a significant first step in ensuring that risk is managed proactively and appropriately within the organization.

FSA will continue to ensure that an effective internal control framework is in place across the organization and will monitor the Title IV loan and grant portfolio performance through further data gathering and analysis, taking action where appropriate. FSA will develop more integrated approaches to risk management that include managing potential vendor related risk across the student aid life cycle and systemic risks that may impact the federal student lending portfolio. Particular emphasis will be placed on the proactive identification

of risks, through enhanced analytics and monitoring of customer feedback, before they materialize.

Objective B.3

Provide access to resources to protect students and families from unfair, deceptive, or fraudulent practices in the student aid marketplace.

Student complaints, deceptive lending practices, and borrower protection issues remain a significant area of concern for FSA. With the rapid evolution of the educational and federal student aid environment, including rising tuition costs, new education offerings, and the existence of private companies charging fees for free actions such as loan consolidation or income-driven repayment plan enrollment, borrower protection issues have become an increasingly significant potential risk for FSA. Providing students with the best information about aid products, options, and requirements, as well as information regarding what students should expect from institutions, will help protect borrowers from unfair treatment.

While FSA has an Ombudsman's office in place to assist borrowers in resolving student loan issues after they occur, it does not function as a mechanism to prevent potential behavior that is not in the best interests of students and borrowers. In recognition of this, FSA has moved forward with a number of initiatives focused on ensuring borrowers have the best information available to inform their school selection and associated borrowing decisions. The introduction of Gainful Employment measures, which will enable

students to evaluate the impact of particular schools and courses on their ability to improve future employment prospects, will also facilitate sound education finance decisions and limit the risk that they enroll or borrow based on potentially misleading information, as well as provide the opportunity to leverage sanctions against schools with consistent and extraordinary negative performance. FSA is also working to develop an Enterprise Complaint System and consumer portal that will drastically improve the ease of use for customers seeking to submit comments or complaints about their federal student aid experience. This effort will improve the customer experience and provide analytical insight to further drive operational enhancements. These developments are further supported by the Department of Education's recently implemented College Scorecard effort, designed to support students in better understanding college quality and affordability, and limit the risk that their decisions are based on unreliable information.

Moving forward, FSA will look to provide prospective students, borrowers, and other customers of federal student aid programs with information to navigate the complexities of student aid. FSA will take steps to ensure that students have the information necessary to recognize when they are not being treated fairly. This will include the implementation of processes, tools, and methods that serve to protect the interests of students, and support FSA in making service providers accountable. FSA will also ensure that its processes for resolving student issues are simple for customers to use and sophisticated enough to capture insights that can be used to refine student aid operations.

STRATEGIC GOAL C: Improve operational efficiency and flexibility.

Objective C.1

Link disparate data sources to improve cross-organizational information exchange.

FSA seeks to expand the use of efficient, enterprise-level data systems through the development of a common platform that reduces costs and improves information sharing. Linking and consolidating existing data throughout FSA enables improved data-sharing, allows the organization to provide a holistic view of the data to better serve its customers, and reduces operational pressure on legacy systems.

FSA has implemented a number of initiatives focused on developing mechanisms to facilitate collaboration and information sharing across the organization. Most notably, the Enterprise Data Warehouse and Analytics (EDW&A) system will provide a centralized repository for student aid data and will help the organization to accurately and effectively analyze its data. From an organizational perspective, under the auspices of the Data Governance Board, FSA is working to develop standardized policies and processes related to the management, storage, analysis, and protection of organizational data.

Over the next five years, FSA will seek additional opportunities to link data across the organization and with external entities,

foster internal collaboration and decision making, and identify ways to leverage data to further serve students and borrowers.

Objective C.2

Refine acquisition management to ensure that services and products are consistent with business objectives.

Given that vendors support a significant segment of FSA's core activities, it is critical that FSA look for opportunities to refine its acquisition strategy. Ensuring the efficient and economic acquisition of products and services and managing vendor relationships helps FSA to strengthen its ability to meet business objectives and to hold vendors to the highest levels of service.

FSA is in the process of re-competing several of its major contracts and is placing the highest priority on selecting the vendors that most effectively meet FSA's business objectives with the lowest risk. FSA is also expanding and improving its acquisition team, ensuring that the organization retains highly technically proficient individuals, to best support both the selection of vendors and the oversight of their performance. Doing so will improve quality control, help mitigate risks, and ensure that the acquisition process aligns with the long term vision and operating model of FSA.

Technological advancement has enhanced the ability of available products and services to meet organizational needs, and as the marketplace continues to evolve, FSA will need to develop acquisition processes that allow for the ready adoption of new capabilities. This will require the

development of more flexible procurement approaches that enable business functions to identify, adopt, and refine value-providing products and services. To this end, FSA will continue to revise its acquisition approach to proactively identify opportunities to better align contract performance with FSA's mission.

Objective C.3

Enhance governance processes to support enterprise decision-making.

As a result of increasing pressure across the federal government to migrate to more cost-effective operating models, many agencies are looking to adopt enterprise methods of governance that are agile, standardized, and facilitate improved decision-making. For FSA, the development of efficient governance processes will enable the organization to more readily adapt to changing policies and needs, while continuing to effectively manage and deliver student aid programs.

While FSA's current model does enable the effective delivery of business and technology services, existing governance processes should be enhanced to further clarify roles and standardize processes and structure for enterprise-wide decision making. FSA continues to explore innovative ways to deliver services that are consistently aligned with strategy and deliver intended value. Although FSA's existing structure, centered on an executive-level Investment Review Board supported by various governance processes to track and prioritize capital and IT investments, opportunities

exist to further enhance and mature this approach.

FSA will refine its governance disciplines to provide effective oversight, delivery, and management of large-scale projects and programs. Enhancing and prioritizing governance processes will help optimize resource utilization, support investment and allocation decisions, allow for proactive planning, and help increase the success rate for large-scale programs and initiatives.

Objective C.4

Strengthen FSA's information technology (IT) systems' security.

Recent technological improvements in processing and analyzing data, including loan information from millions of borrowers, have greatly increased FSA's ability to better serve its customers. However, the rising sophistication of external network threats, as well as the increasing social, reputational, and financial risk of loss of data or personally identifiable information (PII), necessitates a proactive approach to identify and prevent unauthorized access and accidental or deliberate data loss.

FSA places a high priority on strengthening its IT systems' security in order to ensure that potential threats are appropriately identified and managed. FSA has robust and structured processes to help ensure that data is properly managed, stored, analyzed, and protected. FSA also operates a continuous Security Operations Center (SOC) that operates with the Department of Education's Security Operations Center,

which allows real-time threat detection and tracking, comprehensive reporting of security events and incidents, vulnerability identification and trending, and incident and remediation tracking. Simultaneously, FSA is working to improve several of its network access systems to strengthen authentication security and reduce potential network access fraud.

Over the next five years, FSA will continue to enhance its systems' security and employ a proactive security approach based on an enterprise-level view of network protection. FSA will govern the development of FSA IT systems in a systematic way, evaluate and address threats to existing systems, and develop safeguards to ensure proper controls when handling the collection and disbursement of data.

STRATEGIC GOAL D: Foster trust and collaboration among stakeholders.

Objective D.1

Engage with stakeholders to be the most trusted and reliable source of information on federal student aid.

The education environment includes a significant number of stakeholders with a variety of needs, objectives, and priorities. This presents opportunities for FSA to strengthen effective partnerships with internal partners in the federal government



and external stakeholders in the field of higher education to address priorities that serve in the best interest of students.

Currently, FSA engages with numerous stakeholders; understanding their missions, roles and needs allows FSA to appropriately advise and collaborate with them. Developing this engagement will help FSA and its partners collectively respond to the needs of borrowers and students as customers of federal student aid programs.

As the education landscape continues to evolve, FSA will work to better understand new and existing stakeholders so that it can determine the appropriate type and level of engagement (e.g., advise, inform, observe, or collaborate) and further its vision to be the most trusted and reliable source of student financial aid information and service in the nation. Employing appropriate partnership and engagement strategies will allow FSA to achieve this vision by informing stakeholders of its operational realities, responding to anticipated needs, and providing better guidance.

Objective D.2

Provide timely and proactive communications to promote accurate, consistent messaging on federal funding of postsecondary education.

Clear, consistent, and timely information about FSA's mission, objectives, role, policies, products, and services to stakeholders—including Congress, postsecondary institutions, and regulatory agencies—enables FSA to be the most trusted source of information on federal funding of postsecondary education.

FSA understands that different stakeholders have different communication needs, interests, and familiarity with federal financial aid programs. FSA has launched efforts to help explain policy and build awareness about its mission and business objectives. Through the dissemination of useful information through general

channels meant to support transparency initiatives, such as the FSA Data Center, as well as through structured reports, such as upcoming reporting on customer complaints, FSA will provide significant value to stakeholders seeking a consistent and accurate understanding of the contours of the higher education environment.

Recognizing that stakeholders rely on federal funding information to make critical education decisions, FSA will employ appropriate communication strategies to disseminate information that is accurate, relevant and timely. FSA will focus in particular on ensuring that the insight that results from FSA's unique position is effectively communicated. These efforts will enable clear messaging about FSA's strategies, policy, and current and planned initiatives.

Objective D.3

Promote transparency and accountability within FSA and across the higher education environment.

FSA and its partners within the field of higher education can more easily develop mutual trust when stakeholders commit to transparency in their priorities, actions, and results. Similarly, FSA recognizes that collaboration is most effective when stakeholders hold themselves accountable for results.

Recently, FSA has taken tangible steps to ensure that its actions, and the actions of its partners, are accomplished with transparency and accountability in mind. For example, in 2014, FSA and the Department of Education convened a Servicing Summit as part

of its Annual Fall Training Conference, inviting consumer and student advocates to discuss the current state of federal loan servicing, share opinions and research, and offer suggestions for shaping the future of Federal Student Aid. FSA is also working to ensure that data and information from partners both internal and external to government is appropriately distributed.

Over the next five years, FSA will work to ensure that these values continue to be held, both within the enterprise and among partners in the various communities that comprise the system of higher education financing. Where appropriate, FSA will seek to provide insight into the federal student loan system to engaged stakeholders, and will improve mechanisms that ensure that all stakeholders are held accountable to the mission of improving outcomes for students, borrowers, and their families.

STRATEGIC GOAL E: Invest in expanded workforce capability.

Objective E.1

Create an enterprise-wide workforce plan to attract, develop, and retain employees with the skills required to meet evolving business needs.

As the environment of postsecondary education and student aid continues to evolve, FSA must ensure that its workforce has the capabilities to adapt to changing business needs and priorities, which reflect

the needs of FSA's customers. Acquiring talent and maintaining a skilled workforce remain priority areas for FSA. As FSA's business priorities change, it must attract, develop, and retain a diverse workforce with the specialized knowledge, skills, and capabilities to help execute mission critical work functions.

FSA has launched a number of initiatives to increase the capability of its workforce. These improvements have ranged from a streamlined hiring process to coaching and competency based training programs.

To expand the capabilities of its workforce, FSA will work to improve its acquisition of new employees, its training programs, performance management practices, and retention strategies. Developing an enterprise-wide workforce plan will enable FSA to determine, for example, the appropriate balance of contractors and federal employees, and to design initiatives to develop a diverse workforce well-versed in the specialty skill sets necessary to address evolving models of higher education delivery. Additionally, FSA will attract, retain, and develop a workforce capable of driving and implementing organizational change including strategies and mechanisms that can accelerate externally and internally driven changes, whether policy, process, or systems related.



Objective E.2

Develop a succession planning strategy to identify and create opportunities for future leadership talent.

As with many other federal agencies, a significant number of FSA's leaders and senior managers are currently eligible for retirement, or will become eligible within the next five years. A well-designed succession planning strategy will help address this issue by strengthening FSA's talent pipeline through proactive identification, cultivation, and preparation of emerging leaders in the organization.

Upcoming retirements may cause FSA to lose experienced leadership as well as critical organizational and operational knowledge, potentially impacting FSA's ability to achieve mission priorities. While the organization has taken on initiatives directed at expanding and improving executive leadership capabilities, such as offering a 'Foundations of Leadership Program', as well as targeted development programs for rising supervisors and managers, opportunities exist to pursue targeted efforts that further strengthen leadership identification and promote overall development.

A more fully developed succession planning strategy will enable FSA to retain institutional knowledge and give leadership more long-term visibility into how managers are progressing along the leadership path, identify when they are ready for the executive level, and enable the organization to keep up-to-date on overall leadership bench strength.

4.

PERFORMANCE MEASURES

FSA's strategic goals, objectives and initiatives will significantly improve the organization's future performance and achievement of its mission.

FSA will measure the success of its strategic goals against the following performance measures.

For Strategic Goal A, "Improve quality of service for customers across the entire student aid life cycle," FSA will assess its progress on five related metrics. First, FSA will measure the percent of first-time FAFSA filers among high school seniors, as measured by applicant data received from the Central Processing System (CPS) and demographic data provided by the National Center for Education Statistics (NCES). This performance indicator measures the largest and most visible outcome of FSA's customer engagement efforts: the percent of high school seniors who successfully file a FAFSA as a first step in furthering their education beyond the secondary level.

Second, FSA will measure the persistence rate among first-time filing aid recipients. This metric helps track performance on one of the desired outcomes of federal student aid and its impact on program completion,

with data collected from FSA's Common Origination and Disbursement (COD) system. By following first-time filing aid recipients, such as college freshmen or first-time adult learners, into their second year, it is possible to see whether FSA is making improvements in how applicants translate received aid into educational success. This metric provides FSA with a key contribution to the President's 2020 Goal attainment progress and calculation methodology.

FSA will also measure customer visits to StudentAid.gov, FSA's premiere information interface for prospective, current, and past customers. By focusing on overall customer visits to its flagship website, this performance metric will help gauge the success of FSA's efforts to increasingly become the trusted source for accurate and accessible student aid information for Americans nationwide.

To assess FSA's outreach capabilities to target populations using new media, FSA will assess its performance on social media channel subscribership, calculated as the aggregate sum of 'likes', followers, and subscribers on Facebook, Twitter, and YouTube, respectively. This metric gauges

the performance of enterprise efforts to increasingly become the trusted source for accurate and accessible student aid information across the organization's digitally engaged customer base.

Lastly, to measure overall customer satisfaction level throughout the student aid life cycle, FSA also will calculate a weighted score for the American Customer Satisfaction Index (ACSI) surveys for applicants, students in school, and borrowers in repayment. This metric will gauge how FSA is improving in terms of streamlined processes for customer interaction and the accessibility of information FSA provides to its customers on websites and in other materials.

For Strategic Goal B, "Proactively manage the student aid portfolio to mitigate risk," FSA will determine progress according to two measures. First, FSA will determine progress made on reducing the aggregate improper payment rate on programs determined to be risk-susceptible to improper payments. Doing so enables FSA to holistically understand the integrity of its programs and identify areas of improvement.

Second, FSA will measure the percent of borrowers who are greater than 90 days delinquent, as measured by invoice data collected from Title IV Additional Servicers (TIVAS) and Not for Profit Servicers (NFPs). A focus on reducing the number of borrowers more than 90 days delinquent provides FSA with insight on how to communicate information about repayment options in a targeted and timely manner, and supports FSA's ability to analyze and respond to trends in the student aid portfolio.

For Strategic Goal C, "Improve operational efficiency and flexibility," FSA will measure aid delivery costs per application, which tracks the direct cost to process FAFSAs and originate aid, divided by the number of original FAFSAs processed, and percentage of outstanding Direct Loan Program dollars in a current repayment status, which uses a four-quarter moving average for loans in active repayment. Active repayment includes all current and delinquent borrowers whose accounts are currently serviced by federal servicers. Borrowers with loans in grace, in school, in deferment, in forbearance, or in bankruptcy or disability status are not expected to make payments and are not included in this calculation. Together, these measures provide a comprehensive evaluation of efficiencies from the beginning of the student aid life cycle (application) until the end (repayment). When reporting annual results for these two measures, FSA will note, where applicable, where service improvements or operational enhancements influenced each measure.

For Strategic Goal D, "Foster trust and collaboration among stakeholders," FSA will assess its performance on the Ease of Doing Business survey, conducted quarterly with postsecondary institutions and partners. Successfully delivering aid through a complex system depends on FSA's ability to work well with its institutional, financial, and state partners by supporting them with technical assistance that will help them improve their performance, and by providing adequate oversight to ensure that participants are complying with program requirements.

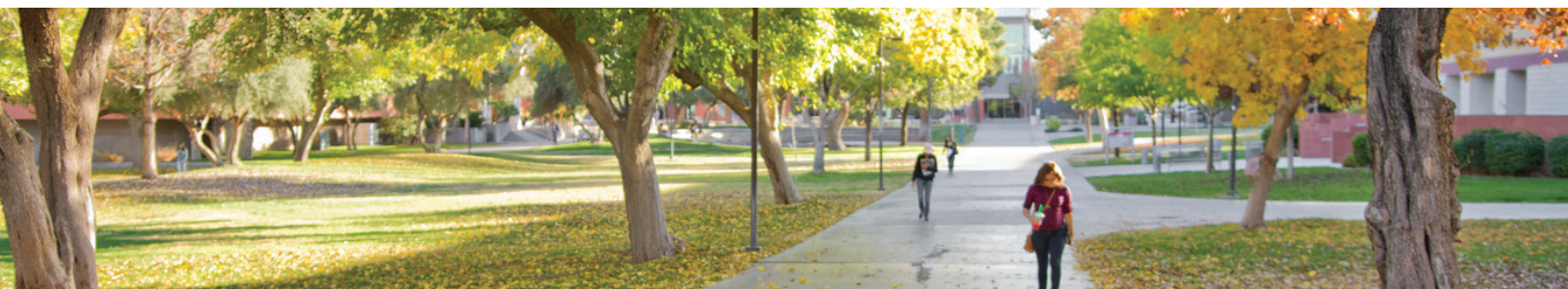


Exhibit 11: Performance Metrics

Performance Metrics			GOALS			
			FY2014 Baseline	FY2015 Targets	FY2016 Targets	FY2017 Targets
A1	Percent Of First-Time FAFSA Filers Among High School Seniors	60.1%	59.1% - 61.1%	+/- 1% of Prior Year Result		
A2	Persistence Among First-Time Filing Aid Recipients	79.6%	78.6% - 80.6%	+/- 1% of Prior Year Result		
A3	Customer Visits To StudentAid.gov	32.7M	>=32.7M	Based on Prior Year Performance		
A4	Social Media Channel Subscribership	368,042	>368,000	Based on Prior Year Performance		
A5	ACSI Aid Life Cycle Surveys	78.4	77.4-79.4	Based on Prior Year Performance		
B1	Improper Payment Rate	1.54%	1.65%	Based on Prior Year Performance		
B2	Percent Of Borrowers >90 Days Delinquent	9.9%	10.4%	Based on Prior Year Performance		
C1	Aid Delivery Costs Per Application	\$11.43	\$12.28	Based on Prior Year Performance		
C2	Percentage of Outstanding Direct Loan Portfolio Dollars in a Current Repayment Status	N/A	N/A	Baseline Set in FY2016		
D1	Ease of Doing Business with FSA	76.9	75.9 - 77.9	+/- 1% of Prior Year Result		
D2	Percentage of Contract Dollars Competed by FSA	88.7%	87.7% - 89.7%	+/- 1% of Prior Year Result		
D3	Collection Rate	35.90	36.56	Based on Prior Year Performance		
E1	Employee Engagement Index	67.7%	66.7 - 68.7%	+/- 1% of Prior Year Result		

FSA will also measure the percentage of contract dollars competed by FSA, using data generated by the Federal Procurement Data System-Next Generation (FPDS-NG). The U.S. Office of Management and Budget encourages federal agencies to compete contracts where possible, believing that contracts which are competed are more likely to be cost-effective and of high quality.

Lastly, FSA will measure the collection rate, as determined by the amount of dollars collected from borrowers per dollar spent to collect. Measuring this rate helps FSA to gauge the efficiency of its back-end systems and processes.

For Strategic Goal E, “Invest in expanded workforce capability,” FSA will assess its progress on the Employee Engagement Index, a government-wide standard subset of questions developed by the U.S. Office of Personnel Management and the Partnership for Public Service, which jointly administer and analyze the annual Federal Employee Viewpoint Survey.

A table of the performance metrics described is presented above (Exhibit 11). These metrics will allow FSA stakeholders to monitor progress against each objective and strategic goal. FSA will report on progress and provide analysis in its annual performance report.

5.

RELATIONSHIP TO THE DEPARTMENT OF EDUCATION'S STRATEGIC PLAN

FSA's goals are drawn from the Department of Education's overall strategic goals and direction, as defined in the Department's Strategic Plan for Fiscal years 2014–2018.

FSA supports Goal 1: Postsecondary Education, Career and Technical Education, and Adult Education, which commits the Department to increasing college access, affordability, quality, and completion by improving postsecondary education and lifelong learning opportunities for youth

and adults, as well as Goal 6: U.S. Department of Education Capacity, which commits the Department to improving the organizational capacities of the Department to implement the Strategic Plan.

During each cycle of FSA's annual performance planning process, FSA will provide information on specific initiatives and measures that support the goals established in the Department of Education's Strategic Plan.



6.

EVALUATING PROGRESS

FSA uses a variety of methods and tools to evaluate its progress. FSA continues to build and improve on the collection of data, research, and analysis to inform management decisions. Information from across the organization is used to improve

day-to-day administration of the business. The following chart lists some of the significant evaluations, a description of these evaluations, and the timeframe for completion (Exhibit 12).

Exhibit 12: Evaluating Progress

EVALUATION	DESCRIPTION	COMPLETED
Organizational Performance Review	Provides an assessment of organizational performance across enterprise core processes, people and organizational development, and administrative management functions.	Annually
Quarterly Performance Review	Provides a quarterly assessment of organizational performance on major initiatives.	Quarterly
FSA Enterprise Dashboard	Provides a monthly assessment of the organization's priority investments.	Monthly
Best Places to Work	Provides a comprehensive assessment of employee satisfaction and commitment across federal agencies.	Annually
Annual Report to Congress	Reports on the performance of the PBO, including an evaluation of the extent to which the PBO met the goals and objectives contained in the five-year strategic plan for the preceding year. Also includes FSA's financial statements, which are prepared in accordance with established federal accounting standards and are subject to an annual independent audit.	Annually

7.

MOVING FORWARD

This five-year strategic plan is designed to help FSA achieve its mission to assist students through postsecondary education and be a provider of the most trusted and reliable postsecondary financial aid information and services in the nation. FSA will use this plan as the foundation for discussion and decision-making at every level of the organization. In addition, FSA will align its resources to achieve the defined goals and priorities over the next five years.

